

Auditing Procedures Report

Reset Form

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Saranac Housing Commission	County	IONIA	Type	OTHER	MuniCode	
Opinion Date	12/21/2007	Audit Submitted	12/21/2007	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:

General Fund Expenditure:

Major Fund Deficit Amount:

General Fund Balance:

Governmental Activities
Long-Term Debt (see
instructions):

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Shane M.	Last Name	Ellison	Ten Digit License Number	1101025879				
CPA Street Address	201 E. Hughitt Street	City	Iron Mountain	State	MI	Zip Code	49801	Telephone	9067744300
CPA Firm Name	Anderson, Tackman & Co., P.C.	Unit's Street Address	201 E. Hughitt Street	City	Iron Mountain	Zip Code	49801		

SARANAC HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended March 31, 2007

SARANAC HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Saranac Housing Commission
Saranac, Michigan

We have audited the accompanying financial statements of the business-type activities of the Saranac Housing Commission, a component unit of the City of Saranac, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Saranac Housing Commission as of March 31, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007 on our consideration of the Saranac Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Saranac Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Saranac Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 21, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Saranac Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$2,174,030 at March 31, 2007 compared to \$2,113,031 at March 31, 2006.
- The Commission's operating revenues totaled \$807,388 for March 31, 2007 and \$810,174 for March 31, 2006, while operating expenses totaled \$767,500 for March 31, 2007 and \$809,439 for March 31, 2006.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at March 31, 2007 increased \$60,999 from March 31, 2006.

Table 1

NET ASSETS

	March 31,	
	2007	2006
Assets		
Current assets	\$ 1,478,529	\$ 798,836
Capital assets (net)	1,840,191	1,840,365
Other assets	-	43,027
Total assets	3,318,720	2,682,228
Liabilities		
Current liabilities	113,065	262,032
Noncurrent liabilities	1,031,625	307,165
Total liabilities	1,144,690	569,197
Net Assets		
Invested in capital assets, net of related debt	835,625	1,440,869
Restricted	233,591	-
Unrestricted	1,104,814	672,162
Net Assets	\$ 2,174,030	\$ 2,113,031

Net assets of the Commission stood at \$2,174,030 at March 31, 2007 compared to \$2,113,031 at March 31, 2006. Unrestricted net business assets were \$1,104,814 compared to \$672,162 at March 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets and decrease in other assets was due to an increase in cash and investments and a note receivable becoming fully current at March 31, 2007. The decrease in current liabilities was due to prior loans being refinanced and current-portion of long-term debt being reduced significantly. The increase in noncurrent liabilities was due to new debt during the year to pay-off existing debt and for additional capital improvements.

Table 2

CHANGE IN NET ASSETS

	<u>Year Ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 434,896	\$ 404,493
Program grants and subsidies	368,096	507,772
General revenues:		
Other revenues	36,031	131,391
Unrestricted investment earnings	<u>41,454</u>	<u>33,375</u>
 Total revenues	 <u>880,477</u>	 <u>1,077,031</u>
 Program Expenses:		
Operating expenses	(767,500)	(809,439)
Other expenses	(9,000)	-
Interest expense	<u>(42,978)</u>	<u>(33,494)</u>
 Total expenses	 <u>(819,478)</u>	 <u>(842,933)</u>
 Change in net assets	 60,999	 234,098
 Net assets - beginning of period	 <u>2,113,031</u>	 <u>1,878,933</u>
 Net assets - end of period	 <u>\$2,174,030</u>	 <u>\$ 2,113,031</u>

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$880,477 compared to \$1,077,031 during March 31, 2006. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in other revenues was due to the recognition of income from a deferred sale of a home owned by the Commission in the prior year while the decrease in operating expenses was largely due to a decrease in professional services and extraordinary maintenance.

CAPTIAL ASSETS

Capital Assets

The Commission had \$8,557,800 invested in a variety of capital assets including land, equipment and buildings at March 31, 2007 compared to \$8,421,125 at March 31, 2006.

Table 3

CAPITAL ASSETS Business - Type Activity

	March 31,	
	2007	2006
Land	\$ 699,927	\$ 699,927
Building and improvements	7,062,477	7,058,331
Equipment	<u>795,396</u>	<u>662,867</u>
Total	8,557,800	8,421,125
Less accumulated depreciation	<u>(6,717,609)</u>	<u>(6,580,760)</u>
NET CAPITAL ASSETS	<u>\$ 1,840,191</u>	<u>\$ 1,840,365</u>

The Commission invested \$134,132 in capital assets during the year ended March 31, 2007.

NOTES PAYABLE

During the year the Commission had incurred new debt in the amount of \$1,007,900 repaid bonds and notes payable in the amount of \$402,830, representing all long-term liability payments due from the Commission during the year. See Note H and Note I for details of long-term debt balances and activity for the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Angie Stephens at 203 Parsonage Street, Saranac, Michigan 48881, or call 616-642-9832.

SARANAC HOUSING COMMISSION

STATEMENT OF NET ASSETS Proprietary Fund

March 31, 2007

CURRENT ASSETS:

Cash and equivalents	\$ 361,821
Accounts receivable	1,662
Investments - unrestricted	303,951
Investments - restricted	770,311
Prepaid expenses	6,333
Curren portion of notes receivable	<u>34,451</u>

TOTAL CURRENT ASSETS

1,478,529

NONCURRENT ASSETS:

Capital assets	8,557,800
Less accumulated depreciation	<u>(6,717,609)</u>

NET CAPITAL ASSETS

1,840,191

TOTAL ASSETS

3,318,720

CURRENT LIABILITIES:

Accounts payable	25,586
Accrued liabilities	75,928
Compensated absences	3,900
Mortgage payable	<u>7,651</u>

TOTAL CURRENT LIABILITIES

113,065

NONCURRENT LIABILITIES:

Compensated absences	34,710
Mortgage payable	<u>996,915</u>

TOTAL NONCURRENT LIABILITIES

1,031,625

TOTAL LIABILITIES

1,144,690

NET ASSETS:

Investment in capital assets, net of related debt	835,625
Restricted net assets	233,591
Unrestricted net assets	<u>1,104,814</u>

NET ASSETS

\$ 2,174,030

The accompanying notes to financial statements are an integral part of this statement.





ANDERSON, TACKMAN
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CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2007

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Housing	\$ 810,478	\$ 434,896	\$ 336,461	\$ 31,635
				\$ (7,486)
BUSINESS-TYPE ACTIVITIES:				
General revenues:				
Unrestricted investment earnings				41,454
Gain on sale of fixed assets				(9,000)
Other				36,031
Total general revenues				68,485
Changes in net assets				60,999
NET ASSETS, beginning of year				2,113,031
NET ASSETS, end of year				\$ 2,174,030

The accompanying notes to the financial statements are an integral part of this statement.

SARANAC HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended March 31, 2007

OPERATING REVENUES:	
Tenant revenue	\$ 434,896
Program grants-subsidies	336,461
Other income	<u>36,031</u>
TOTAL OPERATING REVENUES	<u>807,388</u>
OPERATING EXPENSES:	
Administration	162,133
Tenant services	(45)
Utilities	158,139
Maintenance	233,516
General	75,711
Other operating expenses	1,196
Depreciation	<u>136,850</u>
TOTAL OPERATING EXPENSES	<u>767,500</u>
OPERATING INCOME	<u>39,888</u>
NONOPERATING REVENUES AND (EXPENSES):	
Capital grants	31,635
Loss on disposal of capital asset	(9,000)
Mortgage payable	41,454
Interest expense	<u>(42,978)</u>
TOTAL OTHER INCOME (EXPENSES)	<u>(1,524)</u>
CHANGE IN NET ASSETS	60,999
Mortgage payable	
NET ASSETS, BEGINNING OF YEAR	<u>2,113,031</u>
NET ASSETS, END OF YEAR	<u>\$ 2,174,030</u>

The accompanying notes to financial statements are an integral part of this statement.

SARANAC HOUSING COMMISSION

STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended March 31, 2007

OPERATING ACTIVITIES:

Cash received from customers	\$ 434,814
Cash received from grants and subsidies	336,461
Cash payments to suppliers for goods and services	(316,813)
Cash payments for wages and related benefits	(299,291)
Cash payments for payment in lieu of taxes	(25,071)
Other receipts	<u>36,520</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>166,620</u>
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CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	30,628
Acquisition of capital assets	(134,132)
Proceeds from notes receivable	10,976
Proceeds from new debt	1,007,900
Payment of debt principal	(402,830)
Payment of debt interest	<u>(45,418)</u>

NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>467,124</u>
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INVESTING ACTIVITIES:

Purchase of investments	(373,827)
Mortgage payable	<u>41,454</u>

NET CASH (USED) BY INVESTING ACTIVITIES	<u>(332,373)</u>
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NET INCREASE IN CASH AND EQUIVALENTS	301,371
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Mortgage payable	<u>60,450</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 361,821</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 39,888
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	136,850
Changes in assets and liabilities:	
Decrease (Increase) in receivables	407
Decrease (Increase) in prepaid expenses	16,612
Increase (Decrease) in accounts payable	3,240
Increase (Decrease) in accrued liabilities	<u>(30,377)</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 166,620</u>
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The accompanying notes to financial statements are an integral part of this statement.

SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Saranac Housing Commission (Commission) was formed by the Village of Saranac Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the Village.

The Commission manages 89 units of low rent public housing and 61 section 8 new construction units of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Saranac Housing Commission, but the Saranac Commission is a component unit of the Village of Saranac, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$500 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
- 2. Restricted net assets – Funds restricted by debt covenants to be used for capital improvements and future debt payments.



SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.



SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 300
Checking and savings accounts	<u>361,521</u>
 TOTAL	 <u>\$ 361,821</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of March 31, 2007, the Commission's cash and equivalents were not exposed to credit risk, due to them being fully insured.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>
		<u>Less Than 1 Year</u>
Certificates of Deposit	<u>\$801,262</u>	<u>\$801,262</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

NOTE C - CAPITAL ASSETS

A summary of capital assets as of March 31, 2007 is as follows:

	Balance 4-1-06	Additions	Deletions	Balance 3-31-07
Land	\$ 699,927	\$ -	\$ -	\$ 699,927
Building and improvements	7,041,497	117,424	-	7,158,921
Equipment	<u>679,701</u>	<u>19,251</u>	<u>-</u>	<u>698,952</u>
	8,421,125	<u>\$ 136,675</u>	<u>\$ -</u>	8,557,800
Accumulated depreciation	<u>(6,580,760)</u>	<u>\$ (136,849)</u>	<u>\$ -</u>	<u>(6,717,609)</u>
Net capital assets	<u>\$1,840,365</u>			<u>\$1,840,191</u>

Depreciation expense for the year was \$136,849



SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended March 31, 2007 totaled \$880,477 of which \$368,096 or 41.8% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

The Commission has established a defined benefit plan of which the Commission contributes a percentage of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$10,643.



SARANAC HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE H - CHANGES IN LONG-TERM OBLIGATIONS

During the year ended March 31, 2007, the following changes occurred in long-term liabilities.

	Balance <u>April 1, 2006</u>	<u>Additions</u>	<u>Repayments</u>	Balance <u>March 31, 2007</u>	Amounts Due Within <u>One Year</u>
Bond/Mortgage payable	\$390,449	\$1,007,900	\$(393,783)	\$1,004,566	\$ 7,651
Notes payable	9,047	-	(9,047)	-	-
Compensated absences	<u>67,114</u>	<u>-</u>	<u>(28,504)</u>	<u>38,610</u>	<u>3,900</u>
TOTALS	<u>\$466,610</u>	<u>\$1,007,900</u>	<u>\$(431,334)</u>	<u>\$1,043,176</u>	<u>\$11,551</u>

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations at March 31, 2007 are comprised of the following amounts:

1. Mortgage payable due in monthly installments of \$5,951 with interest of 6.3%. Matures November 1, 2041. \$1,004,566
 2. Compensated absences 38,610
- Total long-term obligations \$1,043,176

The annual requirements to amortize long-term obligations outstanding as of March 31, 2007 are as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Bonds Payable</u>		<u>Compensated</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Absences</u>	
2008	\$ 7,651	\$ 57,814	\$ 3,900	\$ 69,365
2009	8,864	62,553	-	71,417
2010	9,439	61,978	-	71,417
2011	10,052	61,366	-	71,418
2012	10,703	60,714	34,710	106,127
2013-2017	64,873	292,211	-	357,084
2018-2022	88,822	268,263	-	357,085
2023-2027	121,608	235,477	-	357,085
2028-2032	166,496	190,589	-	357,085
2033-2037	227,956	129,131	-	357,087
2038-2041	<u>288,102</u>	<u>45,177</u>	<u>-</u>	<u>333,279</u>
TOTAL	<u>\$ 1,004,566</u>	<u>\$ 1,465,273</u>	<u>\$ 38,610</u>	<u>\$ 2,508,449</u>

Interest charged to expenses totaled \$42,978.



**SUPPLEMENTAL
INFORMATION**



SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
ASSETS					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 34,874	\$ 48,894	\$ -	\$ 83,768
112	Cash - restricted - modernization and development	233,591	-	-	233,591
114	Cash - tenant security deposits	15,988	28,474	-	44,462
100	Total cash	284,453	77,368	-	361,821
Accounts and notes receivables:					
122	Accounts receivable-HUD	-	-	1,007	1,007
126	Accounts receivable-Tenants - Dwelling Rents	355	300	-	655
126.1	Allowance for doubtful accounts - Dwelling Rents	-	-	-	-
127	Notes, Loans & Mortgages Receivable - Current	34,451	-	-	34,451
120	Total receivables, net of allowances for doubtful accounts	34,806	300	1,007	36,113
Other current assets:					
131	Investments - unrestricted	95,210	208,741	-	303,951
132	Investments - restricted	770,311	-	-	770,311
142	Prepaid expenses	3,086	3,247	-	6,333
144	Interprogram due from	5,042	1,007	-	6,049
150	TOTAL CURRENT ASSETS	1,192,908	290,663	1,007	1,484,578

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	260,992	438,935	-	699,927
162	Buildings	2,593,660	4,286,387	-	6,880,047
163	Furniture, equipment & machinery - dwellings	198,857	420,043	-	618,900
164	Furniture, equipment & machinery - administration	26,408	150,088	-	176,496
165	Leasehold improvements	14,291	-	168,139	182,430
166	Accumulated depreciation	(2,656,313)	(4,040,586)	(20,710)	(6,717,609)
160	Total fixed assets, net of accumulated depreciation	437,895	1,254,867	147,429	1,840,191
180	TOTAL NONCURRENT ASSETS	437,895	1,254,867	147,429	1,840,191
190	TOTAL ASSETS	\$ 1,630,803	\$ 1,545,530	\$ 148,436	\$ 3,324,769

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
LIABILITIES AND NET ASSETS					
LIABILITIES:					
CURRENT LIABILITIES					
312	Accounts payable ≤ 90 days	\$ 10,458	\$ 15,128	\$ -	\$ 25,586
321	Accrued wages / payroll taxes payable	181	271	-	452
322	Accrued compensated absences - current portion	-	3,900	-	3,900
333	Accounts payable - other government	9,936	14,381	-	24,317
341	Tenant security deposits	15,988	28,474	-	44,462
342	Deferred revenues	2,710	3,987	-	6,697
343	Current portion of long-term debt	7,651	-	-	7,651
347	Interprogram due to	-	5,042	1,007	6,049
310	TOTAL CURRENT LIABILITIES	46,924	71,183	1,007	119,114
351	Long-term debt, net of current maturities	996,915	-	-	996,915
354	Accrued compensated absences - non current	-	34,710	-	34,710
350	TOTAL NONCURRENT LIABILITIES	996,915	34,710	-	1,031,625
300	TOTAL LIABILITIES	1,043,839	105,893	1,007	1,150,739

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>NET ASSETS</u>					
508.1	Investment in capital assets, net of related debt	(566,671)	1,254,867	147,429	835,625
511.1	Restricted net assets	233,591	-	-	233,591
512.1	Unrestricted net assets	920,044	184,770	-	1,104,814
513	TOTAL NET ASSETS	586,964	1,439,637	147,429	2,174,030
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,630,803	\$ 1,545,530	\$ 148,436	\$ 3,324,769

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>					
703	Net tenant rental revenue	\$ 174,733	\$ 255,077	\$ -	\$ 429,810
704	Tenant revenue - other	5,086	-	-	5,086
705	Total tenant revenue	179,819	255,077	-	434,896
706	HUD PHA grants	218,377	112,240	5,844	336,461
706.1	Capital grants	-	-	31,635	31,635
711	Investment income - unrestricted	27,208	14,246	-	41,454
715	Other revenue	5,870	30,161	-	36,031
716	Gain/Loss on sale of fixed assets	(9,000)	-	-	(9,000)
700	TOTAL REVENUE	422,274	411,724	37,479	871,477
<u>EXPENSES</u>					
Administrative:					
911	Administrative salaries	29,786	45,694	-	75,480
912	Auditing fees	1,280	1,920	-	3,200
914	Compensated absences	-	(423)	-	(423)
915	Employee benefit contributions- administrative	16,124	25,623	-	41,747
916	Other operating- administrative	25,656	16,473	-	42,129
	Total Administrative	72,846	89,287	-	162,133

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>N/C S/R Section 8 Programs</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
Tenant services:					
924	Tenant services - other	(45)	-	-	(45)
Utilities:					
931	Water	19,233	25,971	-	45,204
932	Electricity	34,912	37,053	-	71,965
933	Gas	9,292	31,678	-	40,970
	Total Utilities	63,437	94,702	-	158,139
Maintenance:					
941	Ordinary maintenance and operations - labor	39,634	59,451	-	99,085
942	Ordinary maintenance and operations - materials & other	15,355	28,328	-	43,683
943	Ordinary maintenance and operations - contract costs	14,348	21,608	-	35,956
945	Employee benefit contributions- ordinary maintenance	21,455	33,337	-	54,792
	Total Maintenance	90,792	142,724	-	233,516

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
General expenses:					
961	Insurance premiums	22,850	29,091	-	51,941
963	Payments in lieu of taxes	8,646	14,659	-	23,305
964	Bad debt - tenant rents	740	(275)	-	465
967	Interest expense	42,577	401	-	42,978
	Total General Expenses	74,813	43,876	-	118,689
969	TOTAL OPERATING EXPENSES	301,843	370,589	-	672,432
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	120,431	41,135	37,479	199,045
971	Extraordinary maintenance	-	1,196	-	1,196
974	Depreciation expense	58,242	64,144	14,464	136,850
900	TOTAL EXPENSES	360,085	435,929	14,464	810,478

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

SARANAC HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
Other financing sources (uses)					
1001	Operating transfers in	-	5,844	-	5,844
1002	Operating transfers out	-	-	(5,844)	(5,844)
1010	Total other financing sources (uses)	-	5,844	(5,844)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ 62,189	\$ (18,361)	\$ 17,171	\$ 60,999
MEMO account information					
1103	Beginning equity	\$ 524,775	\$ 1,364,144	\$ 224,112	\$ 2,113,031
1104	Prior period adjustments, equity transfers and corrections	\$ -	\$ 93,854	\$ (93,854)	\$ -
1120	Unit months available	732	1,068	-	1,800
1121	Number of unit months leased	715	1,037	-	1,752

See accompanying notes to financial statements



SARANAC HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended March 31, 2007

SARANAC HOUSING COMMISSION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Saranac Housing Commission
Saranac, Michigan

We have audited the financial statements of Saranac Housing Commission as of and for the year ended March 31, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saranac Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saranac Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saranac Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Saranac Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 21, 2007

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Saranac Housing Commission
Saranac, Michigan

Compliance

We have audited the compliance of Saranac Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended March 31, 2007. Saranac Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Saranac Housing Commission's management. Our responsibility is to express an opinion on Saranac Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saranac Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Saranac Housing Commission's compliance with those requirements.

In our opinion Saranac Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

The management of Saranac Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Saranac Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saranac Housing Commission's internal control over compliance.

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133
(Continued)**

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 21, 2007

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



SARANAC HOUSING COMMISSION

For the Year Ended March 31, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expensed as of 4-1-06</u>	<u>3-31-07 Federal Expenditures</u>
Operating Subsidy	14.850	<u>\$ 112,240</u>	<u>\$ -</u>	<u>\$ 112,240</u>
Section 8 New Construction	14.182	<u>\$ 218,377</u>	<u>\$ -</u>	<u>\$ 218,377</u>
Mortgage Insurance For The Purchase or Refinancing of Existing Multifamily Housing Projects	14.155	<u>\$1,004,566</u>	<u>\$ -</u>	<u>\$1,004,566</u>
Capital Funding 501-07	14.872	<u>\$ 37,479</u>	<u>\$ -</u>	<u>\$ 37,479</u>
Total Department of Housing and Urban Development				<u>\$1,372,662</u>
TOTAL FEDERAL EXPENDITURES				<u>\$1,372,662</u>

See accompanying notes to the schedule of expenditures of federal awards.



SARANAC HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended March 31, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Saranac Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



SARANAC HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended March 31, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Saranac Housing Commission.
2. There were no significant deficiencies relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Saranac Housing Commission.
4. There were no significant deficiencies relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Saranac Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Saranac Housing Commission.
7. The programs tested as major programs included:
 - A. Mortgage Insurance For The Purchase or Refinancing of Existing Multifamily Housing Projects – CFDA 14.155
 - B. Section 8 New Construction – CFDA 14.182
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Saranac Housing Commission was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None